

IN THE
Supreme Court of The United States

OCTOBER TERM, 1943

No. _____

JAMES P. DOVEL and JAMES P. DOVEL
& COMPANY, a corporation,

Petitioners

vs.

SLOSS-SHEFFIELD STEEL & IRON COMPANY,
a corporation,

Respondent.

**BRIEF IN SUPPORT OF PETITION FOR
WRIT OF CERTIORARI**

I

The opinion of the Court below:

The opinion of the Circuit Court of Appeals (Circuit Judges Sibley, McCord and Waller, Judge Sibley writing, McCord and Waller concurring) and appears at page 468-473 of the Record. It is reported in 60 U. S. Patent Quarterly 86.

II

JURISDICTION

The statutory provision which is believed to sustain the jurisdiction of this Court is Sec. 240(a) of the Judicial Code; Title 28, U.S.C.A. Sec. 347, as amended by the Act

of February 13, 1926. The judgment of the Circuit Court of Appeals was entered November 22, 1943. On the 8th day of February, 1944, this Court entered an order extending time within which to file a petition for certiorari to and including the 3rd day of April, 1944. (R. 474). Petition filed 3rd day of April, 1944.

III

The essential facts of the case are stated in the accompanying petition for Writ of Certiorari under the heading "Summary Statement of Matter Involved" at Page 1.

IV

SPECIFICATIONS OF ERROR

The error which petitioners will urge, if writ of certiorari is granted, are that the Circuit Court of Appeals erred:

1. In holding that the former conduct of the parties is insufficient to show a course of conduct whereon petitioners could rely in permitting a use of future inventions (R. 468-473).

2. In holding that plaintiffs' Exhibits H, I, J, and K, are inadmissible because they do not tend to prove the contract alleged and insufficient to show a course of conduct upon which petitioners could rely in permitting a future use of inventions (R. 469-471).

3. In holding that plaintiffs' Exhibit L, is inadmissible because it offends Title 7, Sec. 433, 1940 Code of Alabama and for the further reason that it contained self-serving declaration. (R. 469-470).

4. In holding that respondent has a free nonexclusive license to practice petitioners inventions under a right "similar" to shop right, under circumstances which do not give rise to shop right. (R. 472).

5. Whether because of the right "similar" to shop right petitioners are estopped to claim compensation for past or future use of the inventions. (R. 472).

6. Whether the giving of the directed verdict was error. (R. 363-364).

7. Whether the trial court's action in splitting the issues made up by the pleading, and ordering trial on question of liability, reserving the question of damages, is such a departure from the accepted and usual course of judicial proceedings as to call for this Court's power of supervision. (R. 64).

8. Whether the case of *Gill vs. U. S.*, 160 U. S. 426, 40 L.Ed. 480, cited by the Circuit Court of Appeals in support of its decision is entirely apposite.

9. Shop right, statute of limitation and laches.

SUMMARY OF ARGUMENT

Point A

The right of the employer to a free nonexclusive use of the inventions of the employee arise only under the doctrine of shop right, and the limited license given under the Statute (R. S. 4899; Title 35, Sec. 48, U.S.C.A.) is incapable of enlargement at the election of the employer, nor can the courts look beyond the laws passed by Congress to enlarge the limited statutory license. (Const. Art. 1, Sec. 8, Cl. 8)

Point B

Estoppel is a protective and not an offense weapon; its office is limited to saving harmless or making whole the person in whose favor it arises; and it is not intended as an instrument of gain or profit. This doctrine rests on equity, and a party is not estopped where the equities are in his favor, or where the conduct relied on to create the estoppel was superinduced by the act of the party invoking the doctrine.

Point C

To establish an implied contract to pay for the use of inventions, the elements of the patentee's assent to the use, and an agreement or meeting of the minds as to compensation for the use, do not need to appear by explicit declaration of the parties but may be collected or inferred from their conduct.

Point D

Former conduct and dealings of the parties relative to the same subject matter in controversy is admissible in evidence, as illustrative of their mutual concurring purposes, and if such course of conduct and dealing is shown to have been continuous and systematic to the time involved in the issue, its existence, if believed by the jury, is a proper basis upon which the jury may find that the parties were dealing on the basis of a contract on the occasion in issue.

Point E

(A) Facts and circumstances which show according to the ordinary course of dealing and the common understanding of men a mutual intent to contract is a sufficient

basis for the jury to find that the parties were dealing on the basis of contract.

(B) Directed verdict should not be given where there is evidence upon which a jury can properly proceed to find a verdict for the party producing it and upon whom the onus of proof is imposed.

Point F

The decision of this Court in the case of *Gill v. U. S.*, 160 U. S. 426, 40 L.Ed. 480, cited by the Circuit Court of Appeals in support of its judgment and decision is not entirely apposite with the instant case.

ARGUMENT

Point A

The Circuit Court of Appeals in its decision says that since plaintiff was not employed to make inventions, the respondent employer was not entitled to assignment of these patents. The court then says:

"The initial experimentation, not amounting to practical test, appears to have been made at plaintiff's expense, as were his drawings and the obtaining of the patents. No 'shop rights' accrued to defendant because of the use in making the inventions of its tools and material, or his time which should have been used in its service."

This is a definite holding that respondent was not entitled to the use of these patents generally throughout its various furnaces under the rules of law governing shop rights. Under the facts the only possible right which an employer could acquire in these inventions is the limited

right under the statute to use the specific appliance in which the invention was used.

The right similar to shop right given under the statute is not pleaded by respondent in this case. Neither has respondent insisted upon such right either before the District Court or the Circuit Court of Appeals. For argument sake, we concede that the evidence adduced by respondent on cross-examination of witness Dovel was such as tends to prove a limited right under the statute. (R. 280-281)

If respondent is to be allowed a right similar to shop right, although not pleaded or insisted upon, it could be only to the specific appliance first installed. For example, the cooling blocks first inserted in the North Birmingham furnace, (R. 195), and the use of the change of the contour of the furnace first installed in No. 2 Birmingham furnace (R. 210). The same would be true of each of the other patents. This right would not extend to the use of the invention in other furnaces of respondent. The record shows their use in many of their furnaces other than the one in which the invention was originally installed.

If respondent has a right similar to shop right, its rights are controlled and limited by the statute, and it cannot enlarge such right by the production of evidence in the case tending to prove such right, nor can the court look beyond the statute to enlarge the limited statutory license.

On page 472 of the Record the opinion of the Circuit Court of Appeals says:

“*** The case, therefore, comes down to this question: Does a right similar to a shop right arise in defendant to use the inventions in its business because its full time employee, having control of its business

to which the inventions specially apply, prior to the issuance of patents and to commercial success, procured their first test and use in that business at the cost and risk of his employer, with no intimation that he expected to charge for such use; the installation being permanent in its nature, involving a large outlay and requiring serious rebuilding of the plant if abandoned; and this use and his employment continuing for years, and more than six years elapsing after the employee had retired from the employment before any assertion was made of his adverse claims as patentee? We think that in such circumstances the patentee is estopped to claim from his employer compensation for past use or to object to continued use of the patented improvements. . . ."

It is apparent that the court has here definitely confused the question of shop right, limited use under the statute and estoppel.

When the above quotation is read in the light of the entire decision it either gives shop rights to the respondent or under the statute extends the limited right so as to apply to all use of the inventions in all furnaces.

If the holding is against us on the ground of estoppel, we discuss that subsequently.

When the employer makes such installation prior to
 "*** the application by the inventor for a patent,
 *** (the employer) shall have the right to use, and
 vend to another to be used, the *specific thing* so made
 ***, without liability therefor." Revised Statutes Sec.
 4899; Title 35, Sec. 48, U.S.C.A. (Emphasis supplied)

Manifestly, the decision of the Circuit Court of Appeals has enlarged the right given under the statute con-

trary to Art. 1, Sec. 8, Cl. 8, Constitution of the United States, in apparent conflict with the statute, or it has created a new right under federal law not heretofore recognized by this Court, which has not, but ought to be, finally determined by this Court.

Point B

We understand the decision of the Circuit Court of Appeals to be based upon respondent's free nonexclusive license to use petitioners' inventions, under a right "similar" to shop right, that in consequence of this right in the respondent petitioners are estopped, not that the decision is based upon pure estoppel.

The position that petitioners are estopped from asserting their claim has less plausibility than the one already considered. There is nothing in the facts set out by the Circuit Court of Appeals (R. 472) which prevented them from asserting their claim. The record shows plainly that the respondent had full knowledge of Dovel's property right in these inventions and recognized them as his property (R. 444-450). (1) The means of knowledge as to Dovel's claim for compensation was available to respondent. None of his inventions were adopted and used by it without the approval of its president and executive committee (R. 325). (2) Respondent has retained the benefits under Dovel's implied license fairly entered into by the parties.

For the application of that doctrine there must be some intended deception in the conduct or declaration of the party to be estopped, or such gross negligence on his part as to amount to constructive fraud, by which another has been misled to his injury. The facts of the case repel any such inference. The primary ground of the doctrine is that it

would be a fraud in a party to assert that which his previous conduct has denied, when on the faith of that denial others have acted. The enforcement of an estoppel with respect to a right of property, such as will prevent a party from asserting his legal rights, the effect of which will be to transfer the enjoyment of the property to another, the intention to deceive and mislead, or negligence so gross as to be culpable, should be clearly established.

As was stated by this Court in *Brant v. Virginia Coal & Iron Co., et al.*, 23 L.Ed. 927, 93 U. S. 326:

“For the application of that doctrine there must generally be some intended deception in the conduct or declarations of the party to be estopped, or such gross negligence on his part as to amount to constructive fraud, by which another has been misled to his injury. ‘In all this class of cases’, says Story, ‘the doctrine proceeds upon the ground of constructive fraud or of gross negligence, which in effect implies fraud. And, therefore, when the circumstances of the case repel any such inference, although there may be some degree of negligence, yet courts of equity will not grant relief. It has been accordingly laid down by a very learned judge that the cases on this subject go to this result only, that there must be positive fraud or concealment, or negligence so gross as to amount to constructive fraud.’ *** To the same purport is the language of the adjudged cases. Thus it is said by the Supreme Court of Pennsylvania, that ‘the primary ground of the doctrine is, that it would be a fraud in a party to assert what his previous conduct had denied, when on the faith of that denial others have acted. The element of fraud is essential either in the intention of the party estopped, or in the effect of the evidence which he attempts to set up.’ *** And it would seem that to the enforcement of an estoppel of this character with respect to the title of property, such as

will prevent a party from asserting his legal rights, and the effect of which will be to transfer the enjoyment of the property to another, the intention to deceive and mislead, or negligence so gross as to be culpable, should be clearly established."

In our opinion there is no foundation for the application of the doctrine of estoppel against petitioners because the facts were as well known to respondent, or could have been as well known, as to petitioners. Under such circumstances it does not seem that any legal duty rested upon the petitioners to assert to respondent his claim for compensation unless the respondent renounce its liability under its license.

The conduct of respondent was consistent with its implied license, it did at all times recognize petitioners property right in his inventions. (R. 444-450) Its conduct was consistent with its license, and in recognition of it.

In *Standard Sanitary Mfg. Co. v. Arrott*, 135 F. 750, (C. C. A. 3rd.) the Court Said:

"Where an estoppel is relied upon, the facts upon which it is based must be proved with particularity and precision, and nothing can be supplied by inference or intendment".

stating further

"In the absence of expressly proved fraud, there can be no estoppel based upon acts or conduct of the party sought to be estopped, where such conduct is as consistent with honest purpose or with an absence of negligence as with their opposites."

In 1921 the respondent paid Dovel for his inventions adopted and used by it between 1909 and that date. Thus

it is evident that the delay in bringing suit was superinduced by the respondent. Time had not been the essence of the dealings between the parties. The equities of this case are in favor of petitioners, not only has the respondent reaped the fruits of Dovel's inventive ability, but it has also made a profit from materials, labor and equipment sold to Dovel in developing his inventions.

To us the decision of the Circuit Court of Appeals in holding that petitioners are estopped to assert their claim for past or future use of Dovel's inventions is in apparent conflict with the decisions of this Court and same is not harmonious with the decisions of the Circuit Court of Appeals, Third Circuit.

Point C

The ultimate effect of the decision and judgment of the Circuit Court of Appeals is that the use of the patentee's inventions with his knowledge does not create an implied contract to pay for such use, unless there was an explicit agreement or meeting of the minds of the patentee and of the user as to compensation for the use. Such holding is in direct conflict with the decision of this Court.

In the case of *United States v. Anciens Etablissements*, 224 U. S. 309, 56 L.Ed. 778, Mr. Justice McKenna says:

"But these elements do not have to appear by the explicit declaration of the parties. They may be collected from their conduct."

Likewise in the case of *DeForest Co. v. U. S.*, 273 U. S. 236, 71 L.Ed. 625, this court recognized that an agreement or meeting of the minds of the parties as to compensation

for the use need not appear by the explicit declaration of the parties, but may be collected or inferred from their conduct. Mr. Chief Justice Taft delivered the opinion of the court and stated :

“*** No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent, or any conduct on his part exhibited to another from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license and a defense to an action for a tort. Whether this constitutes a gratuitous license, or one for a reasonable compensation, must of course depend upon the circumstances; but the relation between the parties thereafter, in respect of any suit brought, must be held to be contractual and not based on unlawful invasion of the rights of the owner.***”.

The alternative of a contract is important to be kept in mind. The officials of respondent knew of Dovel's patents, that they constituted his life's work, and were aware of their great value and utility. (R. 444-450) The deliberate purpose to take the property of another without the intention that he should be paid, in other words, to do plainly a wrongful act, cannot be imputed to them without convincing proof. Such proof does not appear in the instant case. Dovel very scrupulously kept the work on his inventions separate and apart from the business of the respondent, at no time did he use any of the materials or services of the respondent in perfecting and developing his inventions. This fact was well known to the respondent, for it charged Dovel cost plus 10% for all materials and labor purchased from it by Dovel, used by him in developing his inventions. (R. 235) There was no doubt as to the inten-

tion of Dovel to develop and perfect his inventions at his own individual expense. Likewise, there is no room for doubt that respondent was well aware of the fact that Dovel was developing and perfecting his inventions at his own individual expense.

At the time Dovel became employed by the respondent, it had notice of the fact that Dovel was an inventor; that he was at the time engaged in developing and perfecting certain inventions relating to blast furnace operation. (R. 177) Applications for letters patent were pending at that time covering a gas cleaning apparatus. (R. 180) Subsequently letters patent were issued to him covering some or all of these inventions during the term of Dovel's employment by respondent. These inventions, five in number, were adopted and used by the respondent in keeping with Dovel's alleged agreement or under an implied contract and formal licenses to use were executed by Dovel to the respondent for a valuable consideration granting the respondent the right to use them for the full life of the letters patent. (R. 426-432) Testimony of this course of conduct and dealing was rejected. (R. 470) This, we insist, was error and in direct conflict with the decisions of this Court in the two above cited cases.

The inventions were valuable property to the use of which respondent had no legal claim. It had not contributed to their development or perfection. Dovel's duties did not require him to surrender or grant respondent this right, neither was he employed to invent.

This argument of petitioner is fully supported by the two cases hereinabove cited, relating specifically to implied contracts to pay for the value of the use of inventions of the

patentee. We are equally supported by the general law of evidence, as it relates to implied contracts other than those for the value of the use of inventions.

In the case of *Brush Electric Light & Power Co. v. City Council of Montgomery*, 21 So. 960, 114 Ala. 433, in which case the question of an implied contract was clearly presented to the Court, the court in speaking through Chief Justice Brickell, says:

“*** In determining whether the services were rendered and accepted without the intent that compensation would be claimed or made, it is a fact of more or less significance, dependent for its value upon the relations of the parties, their course of dealing, and other facts illustrative of their mutual concurring purposes.***”

The respondent knew of the patent, and the patentee knew of the use and did not object thereto, hence it is more reasonable to imply an agreement for a quantum meruit or a royalty, than to imply that the patentee donated the use of his invention to the user, or to imply that the user unlawfully seized upon the invention of the patentee.

This view of the law, as sanctioned by the highest authority of the land, is quite sufficient to show that the jury could properly find that the parties were dealing on the basis of contract on the occasion when the inventions, the subject matter of this suit, were adopted and used by the respondent.

We respectfully submit that the opinion and judgment of the Circuit Court of Appeals is clearly erroneous in deciding and holding that the conduct and dealing between the parties is insufficient to create an implied contract.

Under the above cited authorities a course of conduct and dealing between the parties over a period of years relating to the very subject matter of this suit is a sufficient basis upon which the jury could properly find that the parties were dealing on the basis of contract.

Likewise, the decision and judgment of the Circuit Court of Appeals in the instant case is clearly opposed to the decision of the Circuit Court of Appeals for the 7th Circuit in the case of *Wisconsin Steel Co. v. Maryland Steel Co.*, 203 Fed. 403, (C.C.A. 7th) wherein the Court held:

“Acts and circumstances that show according to the ordinary course of dealing and the common understanding of men a mutual intent to contract may be taken in law as the basis for implying a contract in fact.”

To us the decision of the Circuit Court of Appeals, as to the establishment of an implied contract conflicts with the apparent settled doctrine of this Court and the weight of authorities.

Point D

One of the principal controversies that arises in this case is whether the trial judge erred in sustaining respondent's objection to the admission in evidence of Plaintiffs' Exhibits H, I, J, K and L, which action of the trial court was affirmed by the Circuit Court of Appeals.

Exhibits H, I, J, and K are formal licenses to use five of Dovel's inventions, executed by him, July 21, 1921, granting to the respondent the right to use those inventions for the full life of the letters patent. (R. 426-432)

These five inventions of Dovel's were adopted and used by the respondent between 1909 and 1921, and they were developed wholly or partially during Dovel's employment by respondent. (R. 179-80).

The precise objection to the admission of these exhibits in evidence does not appear in the record.

The trial court in ruling on the admissibility remarked:

"It might be considered in connection with exclusion,"

stating further,

"I don't think it would be admissible under any circumstances." (R. 224)

Petitioners insist that this evidence of a course of conduct or dealing between the parties is admissible as illustrative of the mutual concurring purpose, the intention of the parties. Certainly this course of conduct or dealing between the parties is pertinent to the issue in the case. Its existence is evidence that the parties acted in accordance with it on the occasion when the inventions, the subject matter of this suit, were adopted and used by the respondent. Such conduct is shown to have been continuous and systematic—at all times prior to the adoption and use of the inventions, the subject matter of this suit, Dovel had asked that payment be made for his inventions adopted and used by the respondent. (R. 432-433). Payment was made for all inventions so adopted and used (R. 426-432)

Under the authorities cited and quoted under Argument, Point C, these exhibits are clearly admissible, and the Circuit Court of Appeals in affirming the District

Court has decided this question in conflict with the decision of this Court and the same is not harmonious with the decision of the Circuit Court of Appeals for the 7th Circuit, which calls for the exercise of this Court's power of supervision.

Plaintiffs' Exhibit L is a letter written by Dovel to J. W. McQueen, deceased, the then president of respondent corporation, on December 28, 1918, suggesting that respondent pay him royalties on his inventions adopted and used up to that date (R. 432-433). It was this letter which provoked the five licenses to use (Plaintiffs' Exhibits H, I, J, and K) (R. 426-432).

It would seem that this letter standing alone is admissible, but when viewed in the light of the five licenses to use, provoked by it, we think any question as to its admissibility is removed.

In the case of *U. S. v. Anciens Etablissements*, *supra*, this Court affirmed the Court of Claims in finding that the United States Government impliedly promised to pay patentee for the use of certain inventions relating to breech-loading cannons. The basis of the Court's finding of fact were certain letters written by the patentee to certain attachees of the United States Government in which the patentee simply requests that the government pay him royalties based upon the use of his inventions, without any explicit agreement or meeting of the minds on the part of the patentee and on the part of the user as to compensation for the use.

Dovel's letter addressed to McQueen simply requested pay; no reply appears in letter form; but the five licenses to use were provoked thereby, clearly this letter is material and

relevant, as tending to show the intention of the parties, their mutual concurring purposes, as to whether compensation would be claimed or made. Therefore, it is admissible unless it offends Title 7, Section 433, of the 1940 Code of Alabama. "Dead Man Statute".

Competency of a witness to testify in any civil action in the Federal Courts is determined by the law of the State in which the trial is held. Title 28, Section 631, U.S.C.A. (R.S. Sec. 858; June 29, 1906, C. 3608, 34 Stat. 618.)

Under the above cited statute the District Court and the Circuit Court of Appeals were obliged to follow the decisions of the Supreme Court of Alabama in its interpretation of the competency of witnesses under Title 7, Section 433, 1940 Code of Alabama.

The letter speaks for itself, and cannot be classed as a personal transaction between the deceased agent of respondent and the witness Dovel, hence it was not within the inhibition of the statute as interpreted and applied by the decisions of the Supreme Court of Alabama. Counsel for respondent makes no point about the letter being a copy (R. 227). This letter does not relate to a transaction personal with the then officials of the respondent corporation, and constitutes no part of the transaction involved in this lawsuit. The letter relates to a pertinent collateral fact, not falling directly within the express prohibition of the statute.

The above is a shorthand rendition of the decisions of the Supreme Court of Alabama in the following cases: *Whitfield v. Hall*, 235 Ala. 620, 180 So. 293; *Wharten, et al. v. Black*, 195 Ala. 93, 70 So. 758; *Southern Natural Gas Co. v. Davidson*, 225 Ala. 171, 142 So. 63; and *Moore v. Moore*, 212 Ala. 685, 103 So. 892.

In the case of *Whitfield v. Hall*, *supra*, the trial court permitted the plaintiff, in a suit by plaintiff against defendant as administrator of the estate of a deceased, to introduce in evidence a copy of a telegram, sent by deceased to plaintiff requesting him to take care of certain of the deceased's affairs. The Supreme Court of Alabama, in reviewing this action of the trial court said:

"The telegram, to be correct, the copy, speaks for itself, and cannot be classed as a personal transaction between the deceased and the witness, hence it was not within the inhibition of the statute as interpreted and applied by our decisions. The objection to the copy and motion to exclude was therefore overruled without error."

It would appear, however, from the opinion of the Circuit Court of Appeals that that court affirmed the trial court's action in excluding the letter and further decided that it was inadmissible either because a reply does not appear in the record or because it contained self-serving declaration. We submit that neither of these grounds are sufficient to exclude the letter as evidence in this case. (1) Because the letter was offered in evidence as to each paragraph separately, (R. 229). (2) The general rule of evidence is:

"Party cannot make evidence for himself by his written communications addressed to the other party as to the character of dealings with him, or the liability of the party to whom they are addressed, in the absence of any reply assenting to the same." *Denson v. Kirkpatrick Drilling Co.* 144 So. 86, 225 Ala. 473.

However, a letter not part of mutual correspondence, which relates to a contract then existing between the writer

and the addressee, the addressee's failure to reply is receivable against him as an implied admission of the assertions in the letter.

"Such letters are admissible though they contain self-serving declarations and are not part of the mutual correspondence when they relate to existing contracts between the parties." *Denson v. Kirkpatrick Drilling Co., supra.*

Clearly the decision of the Circuit Court of Appeals is an erroneous decision in direct conflict with the applicable decisions of the Supreme Court of Alabama in its interpretation of Title 7, Section 433 of the 1940 Code of Alabama.

Point E

At the close of plaintiffs' testimony in this case the court gave the directed verdict for the defendant on the motion of the respondent, and the Circuit Court of Appeals affirmed (R. 468-473).

The undisputed facts in evidence at the conclusion of petitioners' case showed that letters patent covering the seven inventions were duly issued by the patent office of the United States Government, to petitioner, James P. Dovel (R. 365-426); that title to the patents is in one or more of the petitioners (R. 44-49); that each of the seven inventions had been adopted and used by the respondent in its blast furnaces with the authority and direction of its president and executive committee (R. 325); and that the respondent had not paid petitioners for the use of the inventions (R. 59).

The Circuit Court of Appeals held that no shop right accrued to respondent (R. 472).

There is no evidence in the record proving or tending to prove any agreement authorizing the free use of Dovel's inventions.

It is conceded on both sides that there was no infringement of petitioners' inventions and that the use by the respondent was done with the consent of the patentee and under his implied license. We think an implied contract for compensation fairly arose under the license to use, and the actual use thereunder.

In *Consolidated Fruit-Jar Co. v. Wright*, 94 U. S. 92, 24 L.Ed. 68, Mr. Justice Swayne of the Supreme Court in 1877 said:

"A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions."

Dovel held these rights presumably to make a profit from them. If the respondent had adopted and used inventions of an inventor not connected with the respondent corporation no one would claim that respondent should not pay therefor, even though nothing was said about pay. The same principle is applicable here. Respondent accepted from petitioner that which he had. It was valuable in itself, and useful to respondent. The respondent knew it was asking for and receiving a valuable right to which it had no legal claim and for which it would ordinarily be required to compensate the owner, and if it thought it should not pay and that the benefits in the way of introduction, etc., would be a fair equivalent, it should have so agreed with petitioner.

If a party has availed himself of the services or used valuable property of another, such as an invention, the jury in the interest of justice may imply or infer that the parties

were dealing on the basis of a contract unless the evidence is such as to justify the conclusion that it was the understanding of the parties that the use was to be gratuitous.

The burden was on the plaintiff to establish such facts and circumstances from which reasonable prudent men in the course of ordinary affairs of business could reasonably conclude that the parties were dealing on the basis of contract on the occasion when the inventions, the subject matter of this suit, were adopted and used by the respondent.

The proper basis for a directed verdict is stated in the case of *Gunning v. Cooley*, 281 U. S. 90, 74 L.Ed. 720. Mr. Justice Butler delivered the opinion of the court and stated:

“**** in every case before the evidence is left to the jury, there is a preliminary question for the judge, not whether there is literally no evidence, but whether there is any upon which a jury can proceed to find a verdict for the party producing it, upon whom the onus of proof is imposed.”

We respectfully submit that under the ruling and decision of this Court in *Gunning v. Cooley*, *supra*, the trial court was in error in granting the respondent's motion for a directed verdict, and the Circuit Court of Appeals in affirming the District Court have decided this question in a way probably untenable and in conflict with the weight of authority and particularly contrary to the decision of this court in the case of *Gunning v. Cooley*, *supra*.

Point F

The decision of this court in *Gill v. U. S.*, 160 U. S. 426, 40 L.Ed. 480, was decided upon the doctrine of shop right and is not entirely apposite with the instant case. The facts as set out in that opinion are as follows:

"The acquiescence of the claimant in this case in the use of his invention by the government is fully shown by the fact that he was in its employ; that the adoption of his inventions by the commanding officer was procured at his suggestion; that the patterns and working drawings were prepared at the cost of the government! that the machines embodying his inventions were also built at the expense of the government; that he never brought his inventions before any agent of the government as the subject of purchase and sale; that he raised no objection to the use of his inventions by the government; and that the commanding officer never undertook to incur a legal or pecuniary obligation on the part of the government for the use of the inventions or the right to manufacture thereunder. It further appeared that from time to time his wages were advanced from four to six dollars a day, and while it was never stipulated by the commanding officer, or understood by the claimant, that the advance of wages was a consideration for the use of the inventions, the practical ability of the claimant as an inventor, and the value of his inventions to the government, did operate on the minds of the officers in estimating the claimant's services and ordering his advancement."

The decision of the Circuit Court of Appeals specifically held,

"No shop right accrued to the defendant because of the use in making the inventions of its tools and materials, or his time which should have been used in its service." (R. 472)

The facts in the Gill case, *supra*, are clearly distinguishable from the facts in the instant case, in that the Gill case is decided upon the doctrine of shop right, whereas in the instant case the Circuit Court of Appeals held that no shop right arose in respondent under the facts.

CONCLUSION

In conclusion petitioners created at his own expense a new system for the operation of blast furnaces and the making of pig iron. After the patents were perfected he turned this system over to the respondent, his employer. They rebuilt their furnaces in accordance with his inventions and for years reaped enormous profits by the use of his patents. When he sues for the reasonable value of this use the employer procures a decision which either estops him from asserting his rights because of delay or gives shop rights because the company paid for the new construction made in keeping with his ideas installing his inventions or extends the statutory right so as to include not only the specific thing, but all use.

We respectfully insist that the decision of the Circuit Court of Appeals either greatly extends shop rights or extends the statutory rights to equal shop rights or completely changes the law of estoppel and respectfully pray that the writ be granted and the error corrected.

Respectfully submitted,

HUGH A. LOCKE

WADE H. MORTON

Attorneys for Petitioners